

1H 2018 Results Presentation

Alessandro Profumo

Chief Executive Officer

Alessandra Genco

Chief Financial Officer

Rome, 30 July 2018



1948 • 2018



Executing the Industrial Plan

Chief Executive Officer

1H 2018 Results & Outlook

Chief Financial Officer

Key messages



Solid 1H 2018 performance



Good progress in key areas

- Helicopters
- DRS



FY 2018 Orders and FOCF Guidance revised upwards

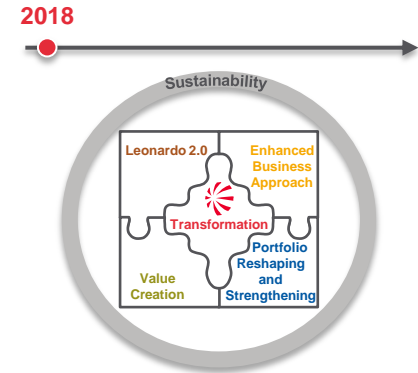


Fully focused on executing industrial plan

Steps forward in the execution of the Industrial Plan

Doing the right things for the long-term

- Sharper commercial focus
- Solid backlog
- Making progress on NH90 Qatar contract
- Helicopters recovery plan on track and successfully executed
- DRS benefitting from strong US market backdrop
- Focused on cost control and profitability

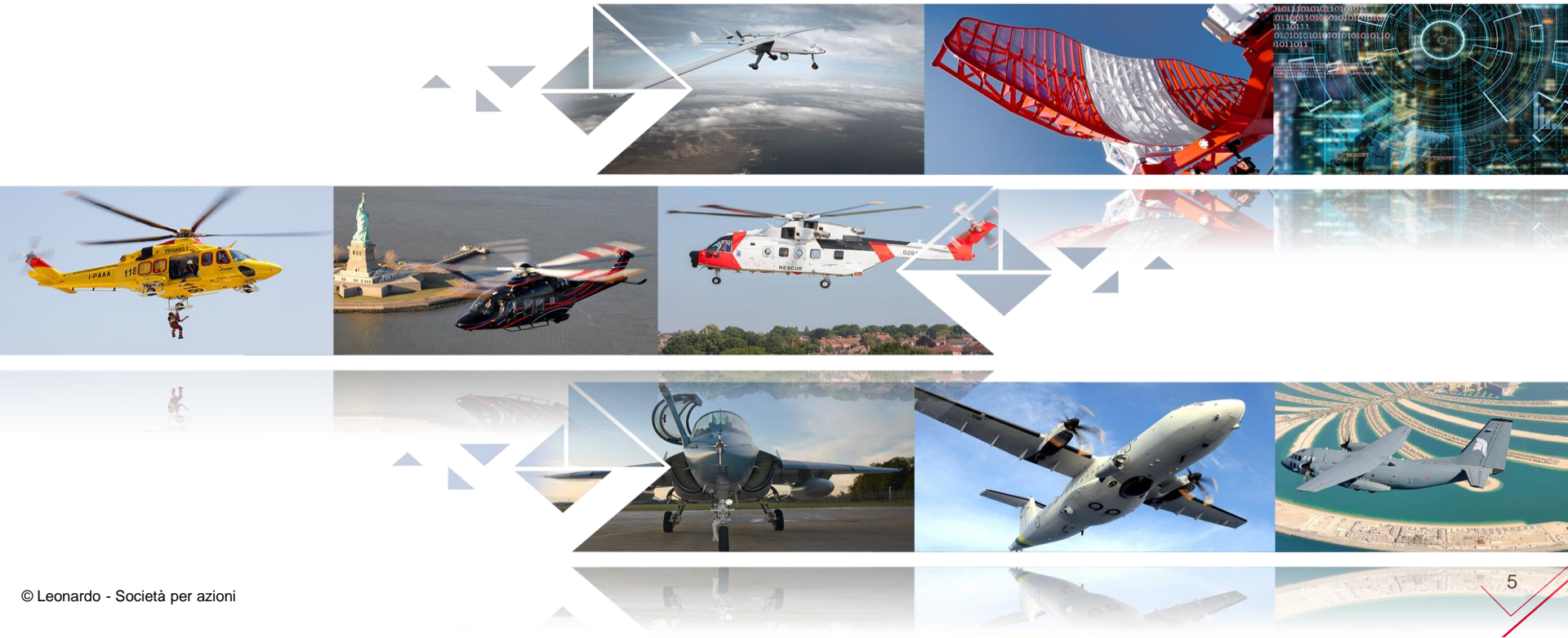


Sharper commercial focus

To be closer to customer needs

- More export
- Focus on key strategic campaigns
- Customer Support, Service & Training

Product
LEADERSHIP
to win with our
customers



Strong backlog supporting revenue growth

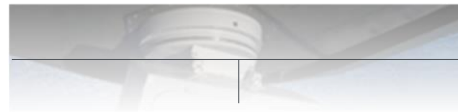
ORDER BACKLOG as at 30 June 2018 = ca. € 33 bn

HELICOPTERS



ORDER BACKLOG € 9.3 bn
28% of total

ELECTRONICS, DEFENCE AND SECURITY SYSTEMS



ORDER BACKLOG € 11.8 bn
35% of total

AERONAUTICS



ORDER BACKLOG € 12.2 bn
37% of total

TOP LINE GROWTH DRIVEN BY

- Current Backlog covering almost 3 years of equivalent production
- Large orders providing long term visibility

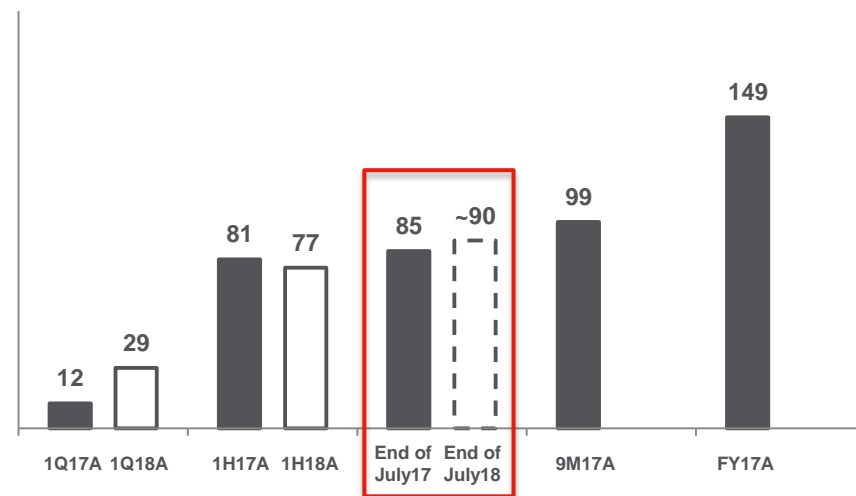
- DRS «soft backlog» not included
- Helicopter markets recovery

Progress on Helicopters

- Positive market feedback
- On track to improve profitability
- FY2018 expected deliveries materially higher than FY2017

JULY 2018 DELIVERIES OVERTAKING JULY 2017

n° of delivered units



DRS top-line growth outpacing strong US market

| | 2Q | | | 1H | | | FY2017 Restated |
|--------------------------|------|---------------|-----------|-------|---------------|-----------|-----------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| \$ mln | | | | | | | |
| Orders | 826 | 529 | 56.1% | 1,250 | 930 | 34.4% | 2,016 |
| Revenues | 504 | 401 | 25.7% | 959 | 796 | 20.5% | 1,947 |
| EBITA | 25 | 26 | -3.8% | 46 | 51 | -9.8% | 146 |
| RoS | 5.0% | 6.5% | -1.5 p.p. | 4.8% | 6.4% | -1.6 p.p. | 7.5% |
| EBITA excluding TX costs | 31 | 26 | 19.2% | 57 | 51 | 11.8% | 153 |
| RoS excluding TX costs | 6.2% | 6.5% | -0.3 p.p. | 5.9% | 6.4% | -0.5 p.p. | 7.9% |

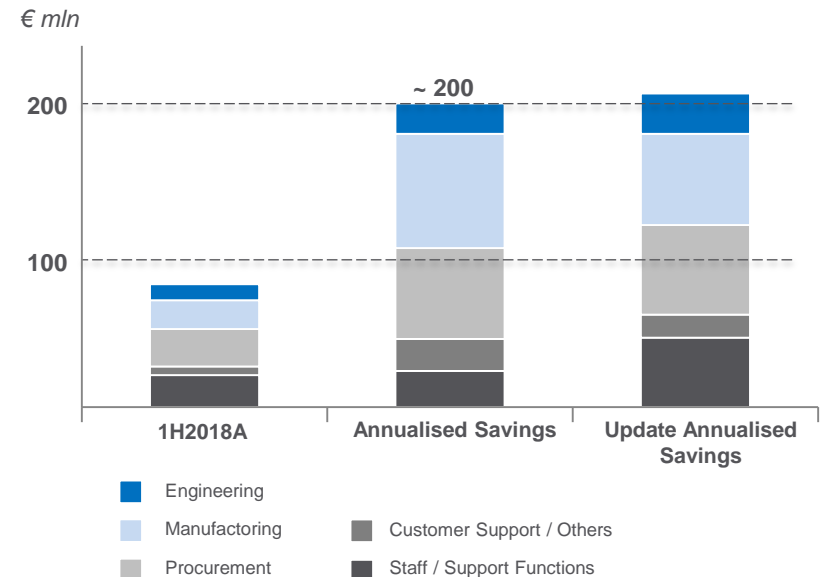


- Well positioned on key programmes supporting growth and higher margins
- Currently investing in development programmes expected to turn into production phase in coming years
- Improving underlying profitability, excluding TX campaign

- Strong «soft backlog» creating long term visibility
 - Including large programmes only partially funded and booked
 - 10 programmes generating ca. \$3 bn of «soft backlog»
 - Total opportunities up to 4-5x current funded backlog

Delivering results on cost control initiatives

- 40% of annualised savings identified delivered in the 1H (ca. € 80 mln)
- Potential upside driven by further actions being implemented
- Key Initiatives:
 - Efficiency increase in Manufacturing and Engineering
 - Off-load optimisation
 - Product Should Cost/Design to Cost
 - Logistics and Supply Chain optimisation



Strict cost control to support future growth: recent achievements

■ Early retirement plan signed with Italian Unions

- Up to 1,100 employees and 65 managers involved
- Ca. € 170 mln one-off provision taken in 1H 2018
- Positive Net Present Value
- No impact on 2018 FOCF



Supporting competence mix change to meet evolving requirements of the market

■ LEAP 2020 Programme launched



To optimise supply chain

Prime contractor business supporting long term visibility and growth

Lower margin pass-through but without capital invested

- Large prime contractor business wins supporting long term visibility and better positioning in reference markets
 - Higher margin activities under our responsibility
 - Lower margin pass-through business but with no capital invested

- Rising level of pass-through activities due to large prime contractor wins
 - 2017 pass-through revenues > € 1 bn (ca. 9%)
 - 2017 profitability at 9.2%, up to 10.1% excluding pass-through

Executing the Industrial Plan

Chief Executive Officer

1H 2018 Results & Outlook

Chief Financial Officer

1H 2018 Highlights



Solid 1H 2018 performance driven by Helicopters & DRS top line growth

- Orders at € 4.6 bn
- Revenues at € 5.6 bn
- EBITA at € 470 mln, RoS at 8.4%
- FOCF at € (809) mln
- Net Debt at € 3.5 bn



FY 2018 Orders and FOCF Guidance revised upwards

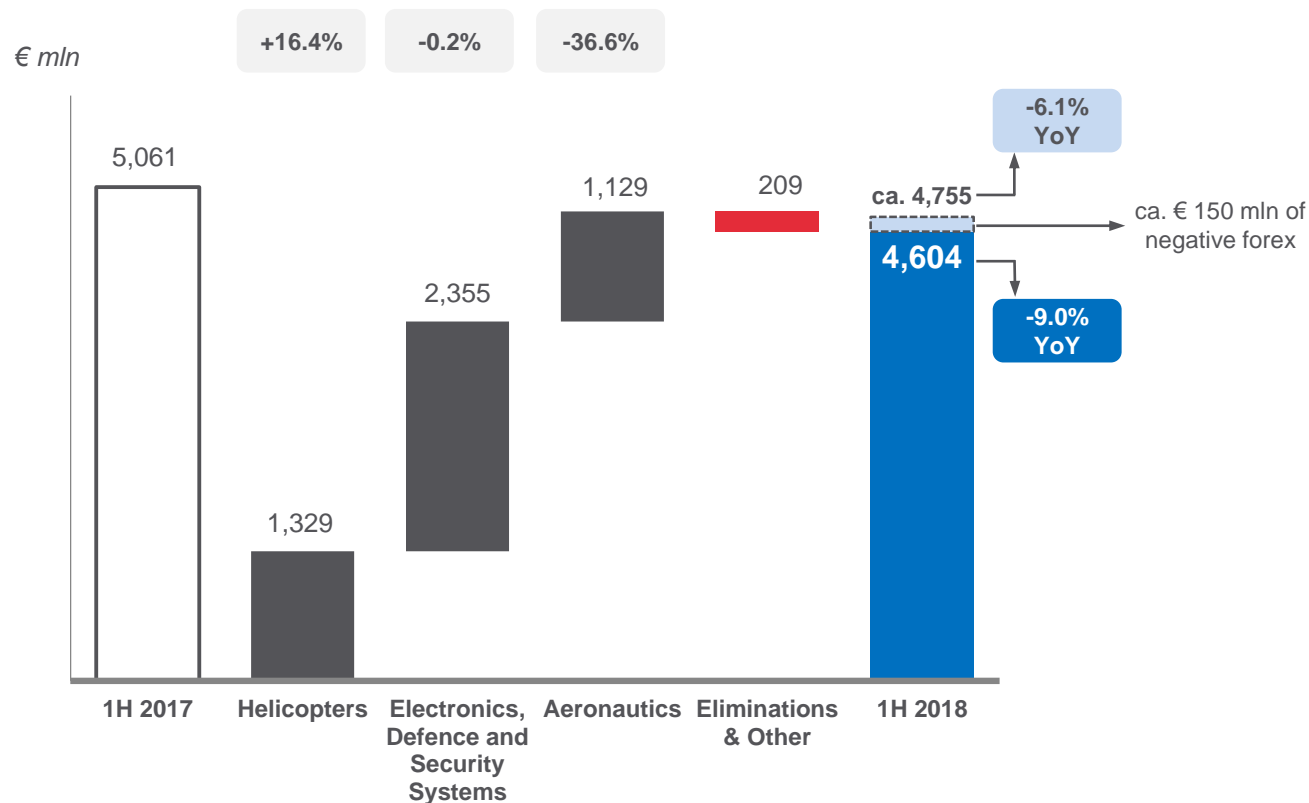


IFRS15 impact affecting quarterly results in Helicopters, as anticipated

Order intake

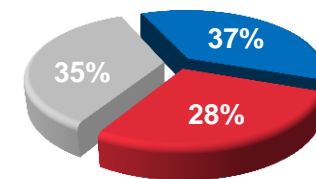
Good performance mainly driven by Helicopters & DRS

NEW ORDERS



ORDER BACKLOG

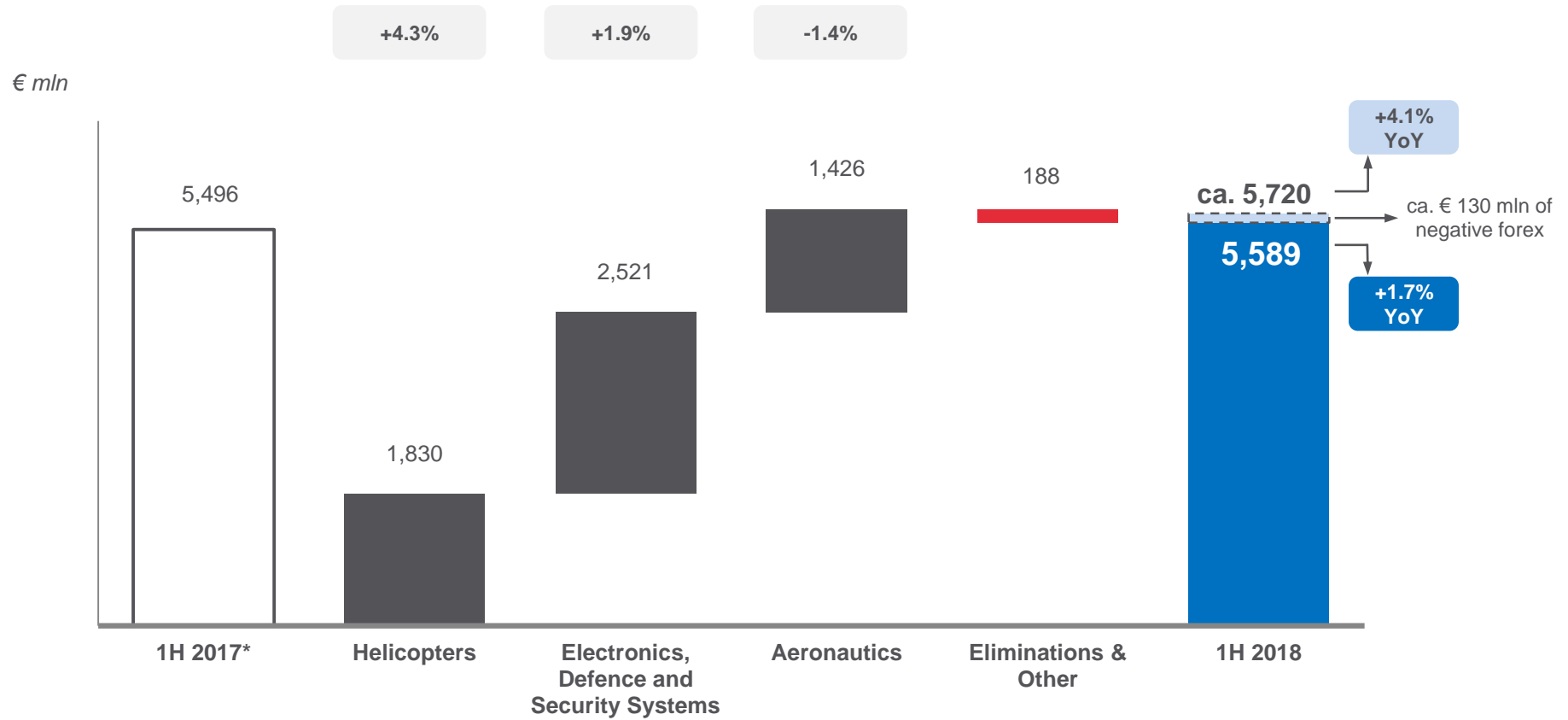
As at 30 June 2018
ca. € 33 bn



- Helicopters
- Aeronautics
- Electronics, Defence and Security Systems

Revenues

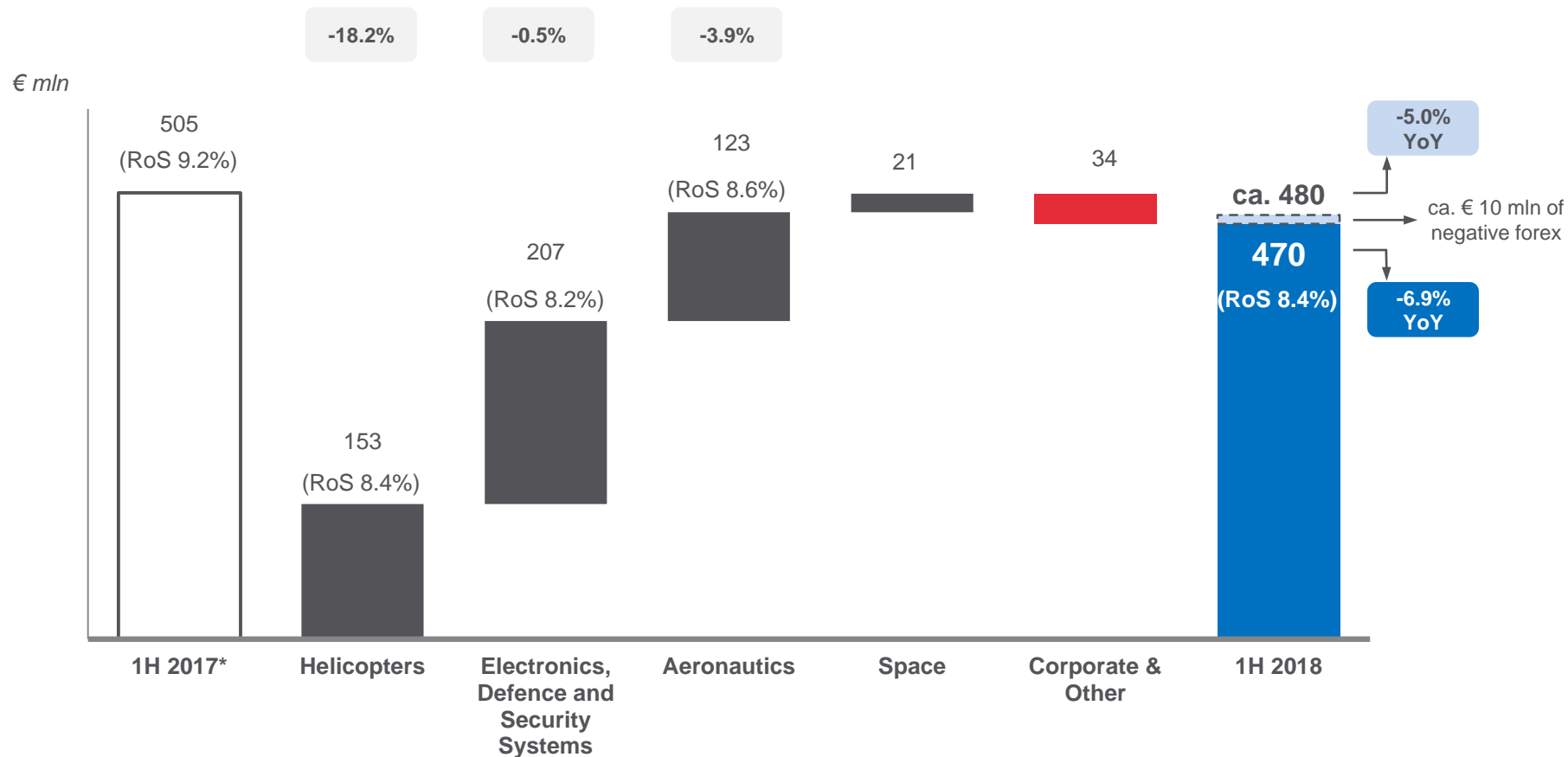
Positive momentum in Helicopters & DRS



*1H 2017 IFRS15 restated

EBITA and Profitability

Steady recovery in Helicopters



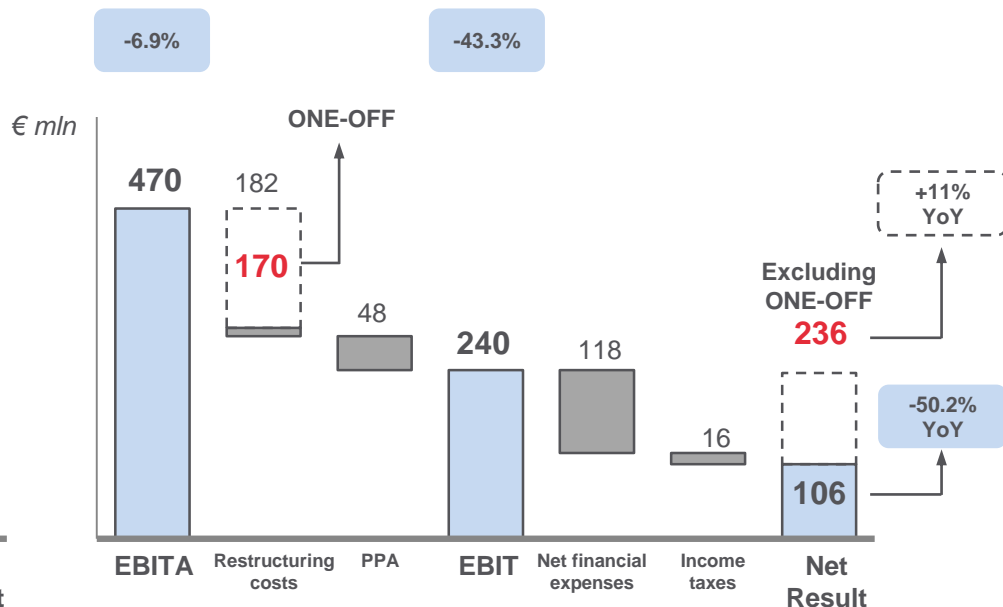
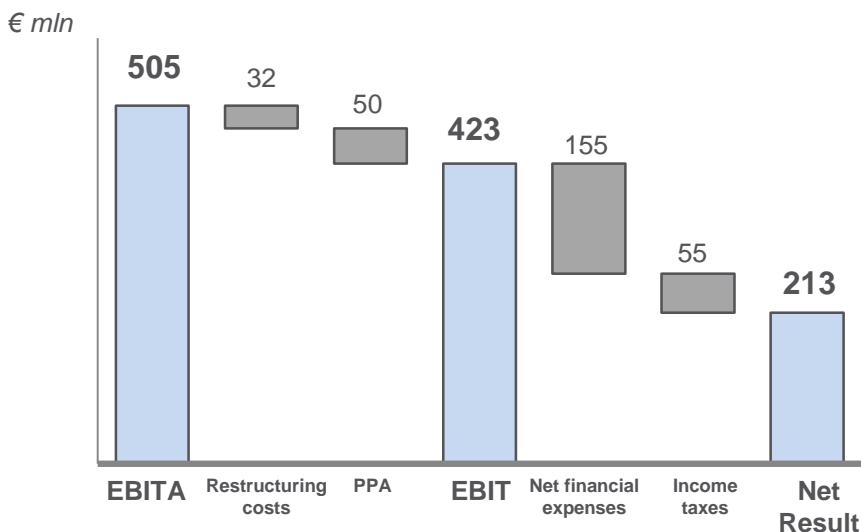
*1H 2017 IFRS15 restated

Net Result affected by € 170m one-off early retirement costs

To improve competence mix

1H2017*

1H2018



*1H 2017 IFRS15 restated

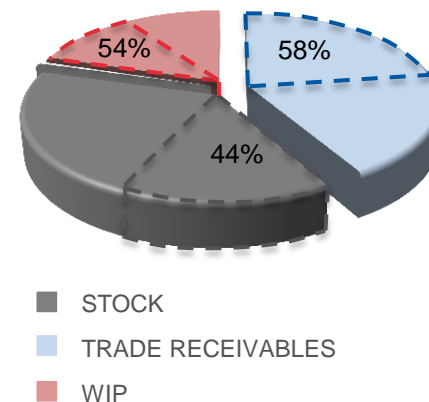
- EBIT and Net Result including € 170 mln of one-off early retirement costs to improve competence mix to meet evolving requirements of the market
- Lower financial charges, due to 2017 bond buyback

Working Capital under control while supporting FOCF

- Actions to improve Working Capital Performance identified, launched and monitored through KPIs
- First half progress in line with expectations, delivering ~50% of 2018 targets
- FY targets confirmed



FY TARGET / % ACHIEVED TO DATE



2018 Guidance revised upwards for Orders and FOCF

| | | <i>FY2017A Restated</i> | <i>FY2018E at January '18</i> | <i>FY2018E at July '18</i> |
|-----------------------|-------|-----------------------------|-----------------------------------|--------------------------------|
| New orders | € bn | 11.6 | 12.5 – 13.0 | 14.0 – 14.5 |
| Revenues | € bn | 11.7 | 11.5 – 12.0 | 11.5 – 12.0 |
| EBITA | € bn | 1.08 | 1.075 – 1.125 | 1.075 – 1.125 |
| FOCF | € mln | 537 | ca.100 | 300 – 350 |
| Group Net Debt | € bn | 2.6 | ca. 2.6 | ca. 2.4 |

2018 exchange rate assumptions: €/USD 1.20 and €/GBP 0.90

Q&A

THANK **YOU** FOR YOUR ATTENTION





SECTOR RESULTS

Helicopters

Well positioned to capture growth opportunities

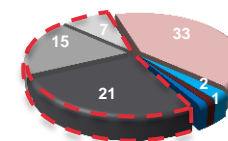
| € mln | 2Q | | | 1H | | | FY2017 Restated |
|----------|-------|---------------|-----------|-------|---------------|-----------|-----------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| Orders | 718 | 683 | 5.1% | 1,329 | 1,142 | 16.4% | 3,153 |
| Revenues | 1,080 | 1,167 | -7.5% | 1,830 | 1,754 | 4.3% | 3,438 |
| EBITA | 100 | 153 | -34.6% | 153 | 187 | -18.2% | 281 |
| RoS | 9.3% | 13.1% | -3.8 p.p. | 8.4% | 10.7% | -2.3 p.p. | 8.2% |

2018 OUTLOOK

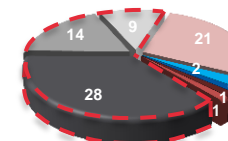
- Healthier market outlook driving higher volumes
- Well placed in most attractive segments, leveraging high quality product range
- Profitability gradually improving; back to double digit in 2020

DELIVERIES BY PROGRAMME

1H2017 = 81 new units



1H2018 = 77 new units



AW FAMILY

- AW109 / AW119 / SW4 / AW009
- AW159 / Lynx
- AW101
- AW169
- AW189 / AW149
- AW139 / W3
- CH47
- T129
- NH90
- Other

Electronics, Defence & Security Systems

Remains strong

| | 2Q | | | 1H | | | FY2017 Restated |
|----------|-------|------------------|-------------|-------|------------------|-------------|--------------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| € mln | | | | | | | |
| Orders | 1,390 | 1,321 | 5.2% | 2,355 | 2,360 | -0.2% | 6,146 |
| Revenues | 1,372 | 1,318 | 4.1% | 2,521 | 2,474 | 1.9% | 5,550 |
| EBITA | 134 | 120 | 11.7% | 207 | 208 | -0.5% | 537 |
| RoS | 9.8% | 9.1% | +0.7 p.p. | 8.2% | 8.4% | -0.2 p.p. | 9.7% |

Of which DRS:

| | 2Q | | | 1H | | | FY2017 Restated |
|--------------------------|------|------------------|-------------|-------|------------------|-------------|--------------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| \$ mln | | | | | | | |
| Orders | 826 | 529 | 56.1% | 1,250 | 930 | 34.4% | 2,016 |
| Revenues | 504 | 401 | 25.7% | 959 | 796 | 20.5% | 1,947 |
| EBITA | 25 | 26 | -3.8% | 46 | 51 | -9.8% | 146 |
| RoS | 5.0% | 6.5% | -1.5 p.p. | 4.8% | 6.4% | -1.6 p.p. | 7.5% |
| EBITA excluding TX costs | 31 | 26 | 19.2% | 57 | 51 | 11.8% | 153 |
| RoS excluding TX costs | 6.2% | 6.5% | -0.3 p.p. | 5.9% | 6.4% | -0.5 p.p. | 7.9% |

Avg. exchange rate €/€ @1.2108 in 1H2018

Avg. exchange rate €/€ @1.0825 in 1H2017

2018 OUTLOOK

- Revenues and profitability almost flat YoY
 - Upward trends in some business areas
 - Efficiency improvement
 - Higher contribution from development programmes
-
- DRS benefitting from positive market trend

Aeronautics

Aircrafts positive outlook offsetting lower ATR and Aerostructures

| | 2Q | | | 1H | | | FY2017 Restated |
|--------------------------|-------|---------------|-----------|-------|---------------|-----------|-----------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| € mln | | | | | | | |
| Orders | 406 | 543 | -25.2% | 1,129 | 1,780 | -36.6% | 2,615 |
| Revenues | 787 | 788 | -0.1% | 1,426 | 1,444 | -1.2% | 3,093 |
| EBITA | 76 | 82 | -7.3% | 123 | 128 | -3.9% | 311 |
| RoS | 9.7% | 10.4% | -0.7 p.p. | 8.6% | 8.9% | -0.3 p.p. | 10.1% |
| EBITA excluding TX costs | 80 | 82 | -2.4% | 127 | 128 | -0.8% | 311 |
| RoS excluding TX costs | 10.2% | 10.4% | -0.2 p.p. | 8.9% | 8.9% | - | 10.1% |

2018 OUTLOOK

- Revenues expected almost flat YoY
 - Aircraft benefitting from EFA Kuwait and C-27J export
 - Aerostructures volumes expected to decline

 - Profitability in line with 2017
 - Efficiency improvement
 - Higher Aircraft performance
- Offsetting** →
- Expected lower ATR contribution
 - Unsatisfactory Aerostructures performance

Space

Stable outlook

| € mln | 2Q | | | | 1H | | | | FY2017 Restated |
|-------|------|---------------|----------|---------------|------|---------------|----------|---------------|-----------------|
| | 2018 | 2017 Restated | % Change | 2017 Reported | 2018 | 2017 Restated | % Change | 2017 Reported | |
| EBITA | 14 | 16 | -12.5% | 19 | 21 | 28 | -25.0% | 27 | 72 |

2018 OUTLOOK



Revenues and profitability expected almost in line with 2017



APPENDIX

1H 2018 Results

Group Performance

| | 2Q | | | 1H | | | FY2017 Restated |
|----------------|-------|---------------|-----------|--------|---------------|-----------|-----------------|
| | 2018 | 2017 Restated | % Change | 2018 | 2017 Restated | % Change | |
| € mln | | | | | | | |
| New Orders | 2,440 | 2,414 | 1.1% | 4,604 | 5,061 | -9.0% | 11,595 |
| Backlog | | | | 32,611 | 33,918 | -3.9% | 33,507 |
| Revenues | 3,138 | 3,135 | 0.1% | 5,589 | 5,496 | 1.7% | 11,734 |
| EBITA | 317 | 350 | -9.4% | 470 | 505 | -6.9% | 1,077 |
| RoS | 10.1% | 11.2% | -1.1 p.p. | 8.4% | 9.2% | -0.8 p.p. | 9.2% |
| EBIT | 119 | 300 | -60.3% | 240 | 423 | -43.3% | 844 |
| EBIT Margin | 3.8% | 9.6% | -5.8 p.p. | 4.3% | 7.7% | -3.4 p.p. | 7.2% |
| Net result | 56 | 164 | -65.9% | 106 | 213 | -50.2% | 279 |
| EPS (€ cents) | 0.098 | 0.286 | -65.9% | 0.185 | 0.371 | -50.2% | 0.482 |
| FOCF | 248 | -104 | 338.5% | -809 | -531 | 52.4% | 537 |
| Group Net Debt | | | | 3,474 | 3,577 | -2.9% | 2,579 |
| Headcount | | | | 45,989 | 45,655 | 0.7% | 45,134 |

Free Operating Cash-Flow (FOCF): this is the sum of the cash flows generated by (used in) operating activities (which includes interests and income taxes paid) and the cash flows generated by (used in) ordinary investment activity (property, plant and equipment and intangible assets) and dividends received

No material impact from IFRS15

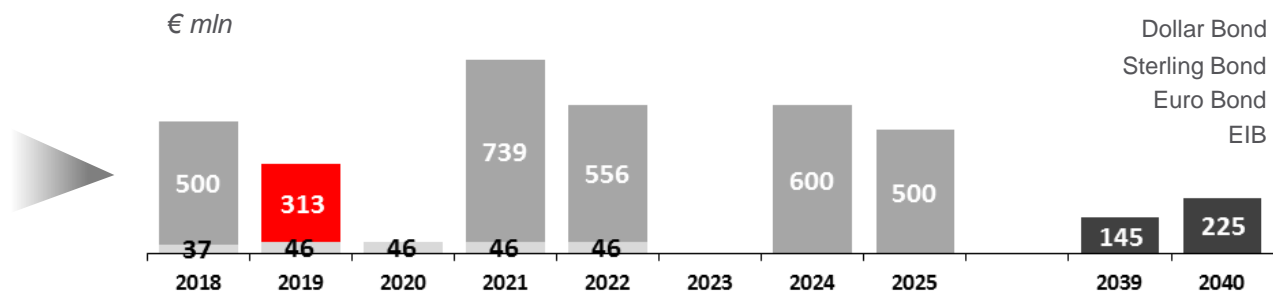
- Leonardo applies retrospectively IFRS15 in 2018
- FY2017 and 2017 quarters fully restated in accordance with IFRS15 when presenting the 2018 corresponding quarterly accounts
- Not material preliminary impacts on FY2017 KPI's (higher revenues by ca. 2% and higher EBITA by ca. 1%)
- Cumulative estimated catch-up adjustment to be recognised in equity; ca. 5% reduction of Group net equity as of 31 December 2017
- More exposed area of activity is civil helicopters

**Confirmed on May 2018*

Solid Financial Position as end of June 2018

DEBT MATURITY

Average life: ≈ 5 years



REVOLVING CREDIT FACILITY

Lower margin
Longer life



RCF renegotiated lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023

CREDIT RATING

| | As of today | Before last review | Date of review |
|-----------------|-------------------------------|-------------------------------|----------------|
| Moody's* | Ba1 / <i>Positive Outlook</i> | Ba1 / <i>Stable Outlook</i> | May 2017 |
| S&P | BB+ / <i>Stable Outlook</i> | BB+ / <i>Negative Outlook</i> | April 2015 |
| Fitch | BBB- / <i>Stable Outlook</i> | BB+ / <i>Positive Outlook</i> | October 2017 |

*Confirmed on May 2018

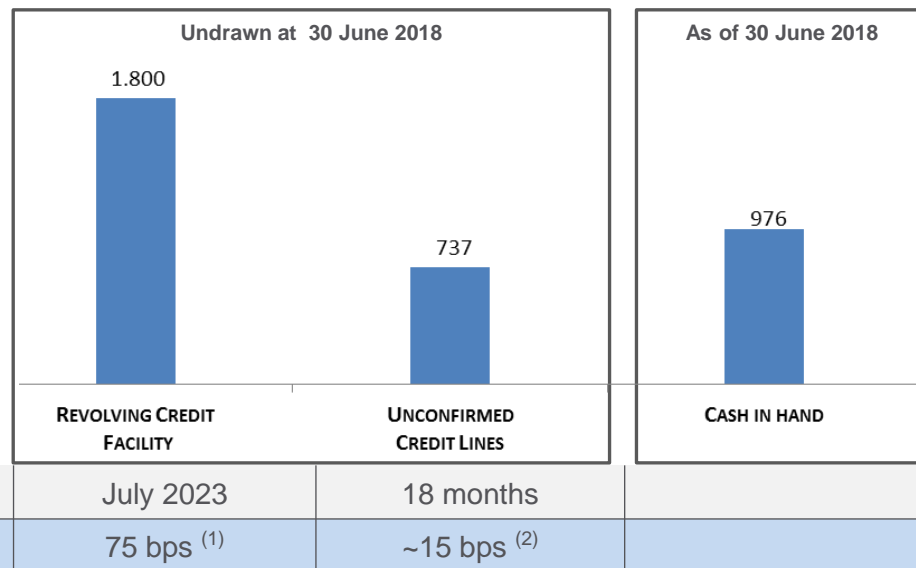
...fully committed to Investment Grade

Availability of adequate committed liquidity lines as end of June 2018

In order to cope with possible swings in financing needs, Leonardo can leverage:

- 30 June cash balance of € 976 mln
- Credit lines worth € 2.5 bn (confirmed and unconfirmed)
- Revolving Credit Facility renegotiated on 14 February 2018, lowering margin (from 100 bps to 75 bps) and amount (from € 2.0 bn to € 1.8 bn). The facility will expire in 2023
- Bank Bonding lines of ca. € 3.6 bn to support Leonardo's commercial activity

€ mln



(1) Based on rating as of 30/06/2018

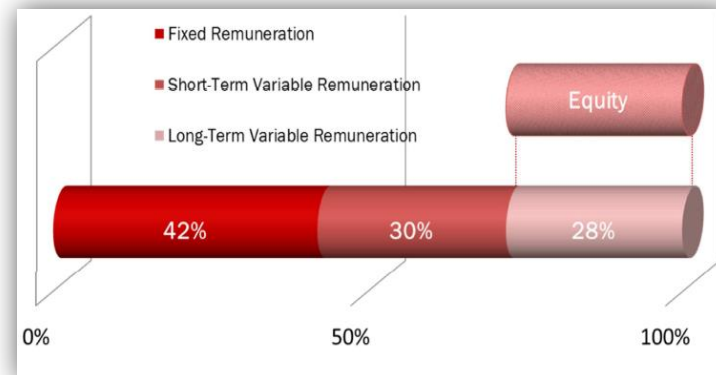
(2) Average. Expected to be renewed at maturity

Balanced Remuneration Policy

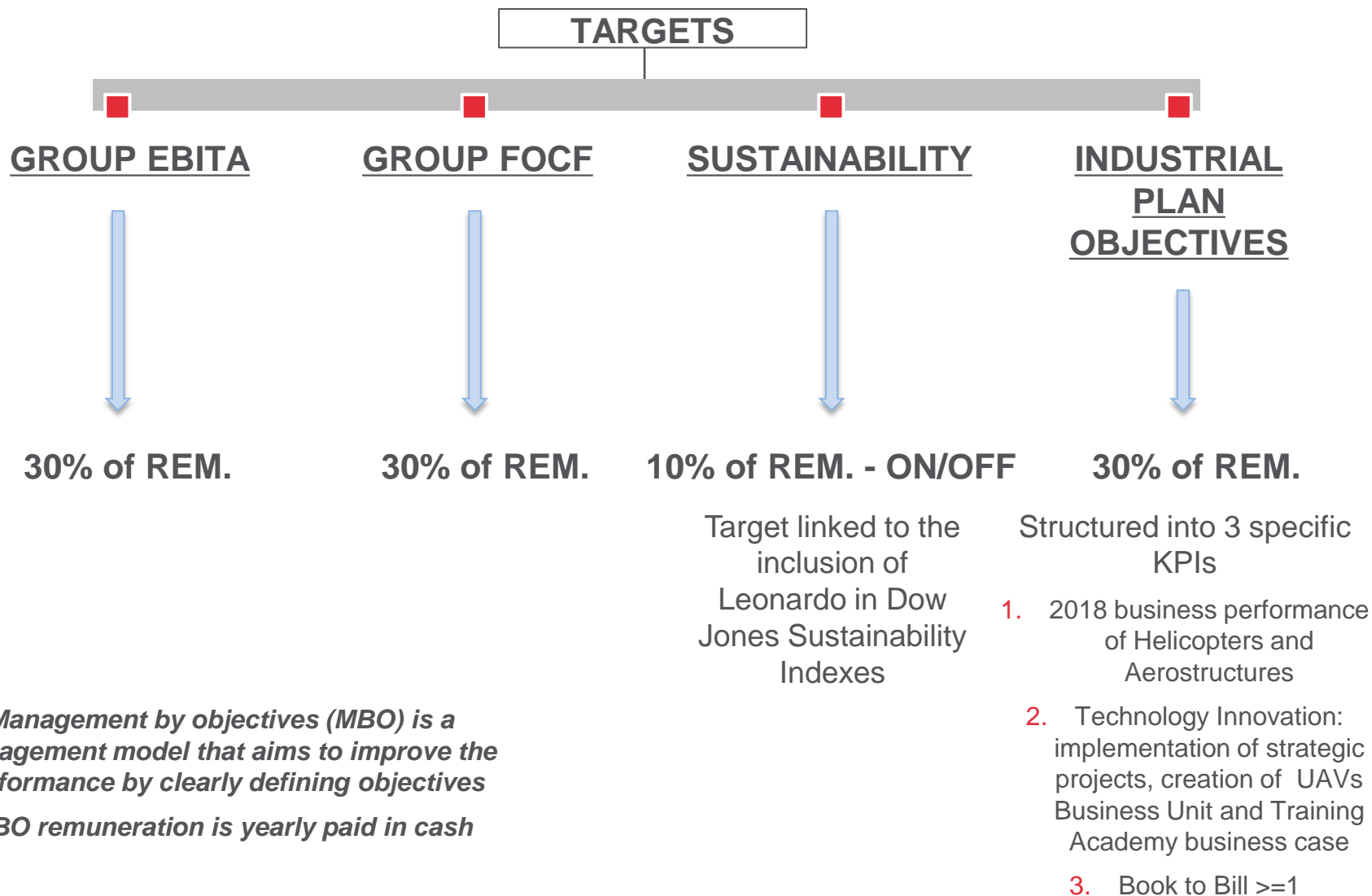
Aligned with stakeholders interests

- Clear link between pay and degree of achievement of targets
- Aligning the remuneration package with international market best practices
- Reducing risk-oriented behaviour
- Attracting / retaining resources regarded by the Company as key performers
- Complying with Transparency and Merit system behind Leonardo strategy
- Including Sustainability/ESG objectives, consistently with business strategy

CEO REMUNERATION



CEO performance: Management by Objectives



Remuneration scheme: Methodology

CLAW-BACK CLAUSE

- Provided for all the variable incentives assigned starting from 2014
- Leonardo is entitled to request repayment of the variable remuneration paid in the event of incorrect or misstated data

SEVERANCE

- If CEO appointment is:
 - revoked
 - terminated early
 - terminated by CEO with just cause
- ...he will receive the total remuneration (fixed and variable elements) as would have been until the natural expiry of the term of office (descending down to zero upon natural expiry)

TSR PEER GROUP (LTIP)

- Leonardo's performance will be measured in relation to a "peer group" selected on comparability
 - Aerospace and Defence companies
 - Industrial companies in the FTSE MIB

Long Term Incentive Plan (LTIP)

■ BENEFICIARIES

- Chief Executive Officer
- Executive directors, employees and/or associates with a decisive impact on the achievement of business results (210 people)

■ FREQUENCY

- 3 year cycles assigned yearly on a rolling bonus

■ AWARD

- Max 53.6% € 500.000 CEO
- Max 140% of gross annual remuneration ESR

■ LOCK UP

- 1 year

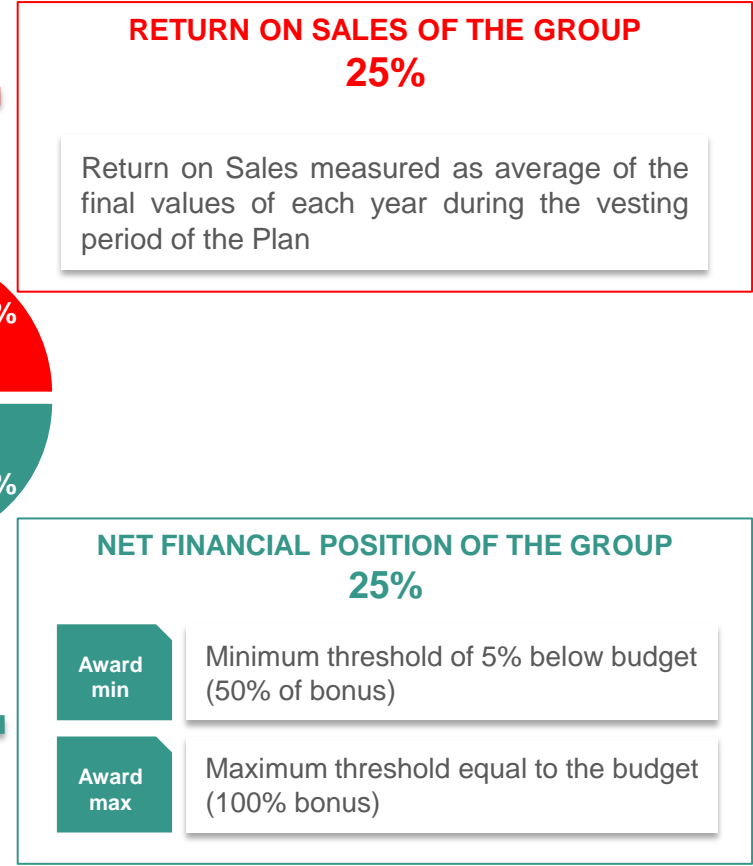
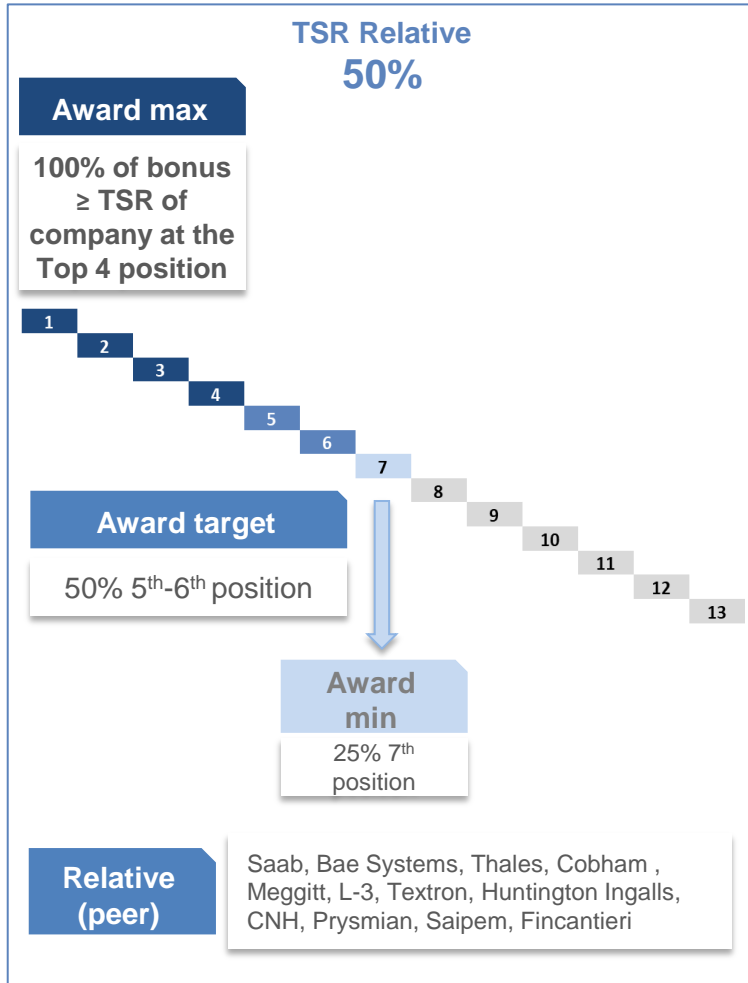
■ VESTING PERIOD

- 3 year

■ PAYOUT

- Shares only for Management, Key Management Personnel and other Top Executive
- Shares & Cash for other Beneficiaries (70% shares and 30% cash or vice versa)

LTIP Performance conditions



SAFE HARBOR STATEMENT

NOTE: Some of the statements included in this document are not historical facts but rather statements of future expectations, also related to future economic and financial performance, to be considered forward-looking statements. These forward-looking statements are based on Company's views and assumptions as of the date of the statements and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Given these uncertainties, you should not rely on forward-looking statements.

The following factors could affect our forward-looking statements: the ability to obtain or the timing of obtaining future government awards; the availability of government funding and customer requirements both domestically and internationally; changes in government or customer priorities due to programme reviews or revisions to strategic objectives (including changes in priorities to respond to terrorist threats or to improve homeland security); difficulties in developing and producing operationally advanced technology systems; the competitive environment; economic business and political conditions domestically and internationally; programme performance and the timing of contract payments; the timing and customer acceptance of product deliveries and launches; our ability to achieve or realise savings for our customers or ourselves through our global cost-cutting programme and other financial management programmes; and the outcome of contingencies (including completion of any acquisitions and divestitures, litigation and environmental remediation efforts).

These are only some of the numerous factors that may affect the forward-looking statements contained in this document.

The Company undertakes no obligation to revise or update forward-looking statements as a result of new information since these statements may no longer be accurate or timely.

Contacts

Raffaella Luglini

*EVP External Relations, Communication, Italian Institutional Affairs,
Investor Relations and Sustainability*

+39 06 32473.066

raffaella.luglini@leonardocompany.com

Valeria Ricciotti

*Equity & Fixed Income Analysts & Investors
and Relationship with Credit Rating Agencies*

+39 06 32473.697

valeria.ricciotti@leonardocompany.com

Manuel Liotta

Group Sustainability & ESG

+39 06 32473.666

manuel.liotta@leonardocompany.com

Company Documentation



www.leonardocompany.com

Sustainability



Member since 2010

Participation since 2008



Member since 2016

We do business in a sustainable manner, with a continued commitment to economic and social development and the protection of public health and the environment.

Social Hub

[Leonardo Social Hub](#)

